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Tarrant County Texas

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*Dyan Hinkley* PGS 4 \$28.00  
**OIL AND GAS LEASE**  
**PAID-UP**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OF THE FOLLOWING INFORMATION FROM THIS INSTRUMENT BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

THIS AGREEMENT, made and entered into this 22nd day of June, 2010, but effective for all purposes on \_\_\_\_\_, by and between **Estelle Masonic Lodge No. 582**, a Texas nonprofit corporation, Lessor, whose address is P.O. Box 582, Euless, Texas 76039, and **Carrizo Oil & Gas, Inc.**, Lessee (whether one or more), whose address is 1000 Louisiana Street, Suite 1500, Houston, Texas 77002.

## WITNESSETH:

1. Lessor in consideration of Ten and No/100 Dollars (\$10.00), in hand paid, of the royalties herein provided, and of the covenants and agreements of Lessee herein contained, hereby grants, leases and lets unto Lessee for the purpose of investigating, exploring, prospecting, drilling and mining for and producing oil, gas and related hydrocarbons, injecting gas, waters, other fluids and air into sub-surface strata, laying pipe lines, building tanks, power stations, telephone lines and other structures thereon to produce, save, take care of, treat, transport, and own said products, the following described land in Tarrant County, Texas:

1.69 acres of land, more or less, out of the J. P. Hallford Survey, A-711, Tarrant County, Texas, being described in that certain Warranty Deed without Vendor's Lien dated December 23, 1965, by and between L. L. Waller and J. L. Hodges, Trustees, as Grantor(s), and Estelle Masonic Lodge No. 582 AF and AM, its successors, as Grantee(s), recorded in Volume 4158, Page 187, of the Deed Records of Tarrant County, Texas.

For all purposes of this lease, the area comprising the leased premises shall be deemed to be 1.69 acres, even though it actually contains more or less and regardless of Lessor's interest therein.

2. Subject to the other provisions herein contained, this lease shall be for a term of three (3) years from this date (called "primary term") and as long thereafter as oil and/or gas is produced in paying quantities from said land hereunder.
3. The royalties to be paid by Lessee are:
  - (a) on oil, twenty-five percent (25%) of that produced and saved from said land, the same to be delivered free of charge at the wells or to the credit of Lessor into the pipeline to which the wells may be connected; Lessee may from time to time purchase any royalty oil in its possession, paying the market price therefor prevailing for the field where produced on the date of purchase; and
  - (b) on gas, including casinghead gas or other gaseous substance, produced from said land and sold or used off the premises or in the manufacture of gasoline or other product therefrom, the market value at the point of sale of twenty-five percent (25%) of the gas so sold or used, provided that on gas sold in a bona fide transaction between Lessee and a party not controlled by or affiliated with Lessee the term "market value" shall be the amount realized from such sale. Should Lessee or affiliates of Lessee, receive any other compensation, either directly or indirectly, for gas sold from said land, such payments and other compensation shall, in computing royalty payments hereunder, be considered part of the "amount realized" from the sale of gas at the time the same are received.
  - (c) Where gas from a well capable of producing gas only is not sold or used, Lessee shall pay as royalty to Lessor's address above Ten Dollars (\$10.00) per net mineral acre per year, commencing on or before ninety (90) days after completion of such shut-in gas well or if the well has previously produced gas, then within ninety (90) days after such well is shut-in and annually thereafter; and while such payment is made it will be considered that gas is being produced within the meaning of Paragraph 2. hereof; provided, however, it is agreed that after the end of the primary term hereof, this lease may not be maintained in force and effect solely by the payment of shut-in royalty for any cumulative period in excess of three (3) years. However, Lessee shall be entitled to invoke the shut-in royalty provisions from time to time for cumulative periods not to exceed three (3) years.
  - (d) The term "gas only" includes gas, distillate, condensate, and other substances produced from a gas well or a well classified as a gas well by any governmental agency having jurisdiction, but not casinghead gas or any substance produced from any oil well. Lessee agrees that all gas produced from the lease premises that is not processed in a plant or plants from which products derived therefrom and the residue gas is ratably allocated to the lease premises for the payment of royalties shall, if economically feasible to do so before the same is sold or used for any purpose or transported from the lease premises, be passed through a conventional separator designed and operated to effect the maximum economical recovery of liquids therefrom and any and all such liquids shall for the purpose of this lease, be treated as oil for royalty payment.
  - (e) Lessee shall have the free use of oil, gas, and water from said land, except water from existing wells or surface reservoirs, for all operations hereunder, except secondary recovery operations, and the royalty on oil and/or gas shall be computed after deducting any so used.

(f) All royalty on oil, gas and associated hydrocarbons shall be due and payable to Lessor within three (3) months of the date when initial production from any well commences. Thereafter, royalty shall be due and payable on or before the last day of the second month succeeding the month of production. In the event a royalty is not so timely paid, Lessee agrees that it will pay Lessor interest on the amount so due at the (generally accepted) prime rate per annum for the royalties so owing, said interest to commence on the day following the date such royalty is owing by the terms hereof.

(g) Lessee agrees that all royalties accruing under this lease shall be paid without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, marketing, and otherwise making the oil, gas, casinghead gas, and other products produced hereunder ready for sale or use.

4. As used in this lease, "actual drilling" or "actual drilling operations" shall mean the actual penetration of the ground by a drill bit and a rig capable of drilling a wellbore to the objective depth on location. If actual drilling operations are not commenced on said land on or before three (3) years from the date hereof, this lease shall then terminate as to both parties.
5. Lessee, at its option, is hereby given the right and power to pool or combine the acreage covered by this lease or any portion thereof as to oil and gas, or either of them, with other land, lease or leases adjacent thereto, when in Lessee's judgment it is necessary or advisable to do so in order to properly develop and operate said premises in compliance with the spacing rules of the governmental regulatory agency having jurisdiction, or when to do so would, in the judgment of Lessee, promote the conservation of the oil and/or gas in and under and that may be produced from said premises, such pooling to be into a unit or units not exceeding forty (40) acres for oil, or six hundred forty (640) acres for gas, plus a tolerance of 10% thereof; provided, however, if the spacing rules prescribed or permitted for that particular field or area by any regulatory body or agency having jurisdiction should be smaller or larger than the maximum herein provided for, then such pooled units shall be reduced or enlarged accordingly to conform to such spacing.

Lessee under the provisions hereof may pool or combine acreage covered by this lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of Lessee hereunder to pool this lease or portions thereof into other units.

Lessee shall execute in writing an instrument identifying and describing the pooled acreage, and file same in the office of the County Clerk of the aforesaid county, and shall furnish to Lessor a photostatic copy of such recorded instrument. The entire acreage so pooled into a tract or unit shall be treated, for all purposes except the payment of royalties on production from the pooled unit, as if it were included in this lease. If production is found on the pooled acreage, it shall be treated as if production is had from this lease, whether the well or wells be located on the premises covered by this lease or not.

In lieu of the royalties elsewhere herein specified, Lessor shall receive, on production from a unit so pooled, only such portion of the royalty stipulated herein as the amount of its acreage placed in the unit or its royalty interest therein on an acreage basis bears to the total acreage so pooled in the particular unit involved. The option to pool hereunder may be exercised by Lessee from time to time, whether before or after production has been established. In the event that a portion, but not all, of the land covered by this lease is pooled with other land, lease or leases adjacent thereto pursuant to the provisions hereof, and drilling operations are conducted upon and/or production is obtained from the lands covered by such pooled unit, such drilling operations and/or production shall not serve to perpetuate this lease as to lands covered hereby which are not within such pooled unit; lands covered hereby and not within such pooled unit shall then be treated as a separate lease with the same terms and provisions as otherwise provided herein.

6. If prior to discovery and production of oil and gas on the land or on acreage pooled therewith, Lessee should drill a dry hole or holes thereon, or if after discovery and production of oil or gas, the production thereof should cease from any cause, this lease shall nevertheless continue in effect if Lessee commences actual drilling or reworking operations within ninety (90) days thereafter, provided that this lease will nevertheless terminate if Lessee shall cease such actual drilling or reworking operations of a well on the leased premises prior to resumption of production of oil or gas thereon for any period in excess of ninety (90) consecutive days, and shall fail to resume production or to commence actual drilling or reworking operations of an additional well on the leased premises or land pooled therewith prior to expiration of the 90-day period. It is understood and agreed that if, during the primary term hereof, all operations or production ceases on the leased premises or on land or leases pooled therewith, this lease shall nevertheless remain in full force and effect during the paid-up primary term hereof.

If at the expiration of the primary term, oil or gas is not being produced on the land, but Lessee is then engaged in actual drilling or reworking operations thereon, or shall have completed a dry hole thereon within ninety (90) days prior to the end of the primary term, the lease shall remain in force so long as operations on the well or for actual drilling or reworking of any additional well are prosecuted with no cessation of more than ninety (90) consecutive days between abandonment of operations on a well and commencement or resumption of operations on the well or on an additional well, and if they result in the production of oil or gas, so long thereafter as oil or gas is produced from the land.

In the event a well or wells producing oil or gas in paying quantities should be brought in on other land in the vicinity of and draining the leased premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. Such offset well or wells shall be commenced within ninety (90) days after commencement of production in paying quantities from the well being offset.

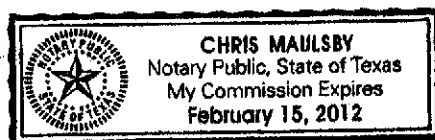
7. Lessee shall completely protect the oil, gas, and casinghead gas in and under the leased premises from drainage by wells on adjoining lands or leases. Neither the bonus, royalties paid, nor drilling operations conducted in accordance with Paragraph 3. shall relieve Lessee from this obligation. Lessee shall drill as many wells to the leased formations as are necessary and to a depth or depths necessary for complete protection of the leased formations against drainage of oil, gas, and casinghead gas from the adjacent lands or leases. Lessee shall promptly deliver to Lessor at no cost or expense all information in Lessee's possession relative to the drilling, completion, or reworking operations conducted on and all production histories, profiles, projections, or records pertaining to any well or wells located on the lands adjacent to the leased premises.
  8. Lessee agrees to drill any and all wells on the leased premises, or such portion or portions thereof as may be in force and effect from time to time, as necessary to reasonably explore and develop the land for oil or gas, and shall notify Lessor of any event affecting lease continuation. In performance of the obligations of Paragraphs 7 and 8., Lessee's duty shall be that of a fiduciary.
  9. After the discovery of oil and/or gas on said land, Lessee shall further develop said land as a reasonably prudent operator would do in the same or similar circumstances. Lessee shall adequately protect the oil and gas under said land from drainage from the adjacent lands or leases. In the event a well or wells producing oil and/or gas in paying quantities should be brought in on adjacent land and draining the lease premises, Lessee agrees to drill such offset wells as a reasonably prudent operator would drill under the same or similar circumstances. A producing well within three hundred thirty feet (330') of a lease line herein shall be deemed to be draining the lease premises. Neither the bonus nor royalties paid or to be paid hereunder shall relieve Lessee from the obligation herein expressed, and for such purpose Lessee shall be required to drill as many wells as the facts may justify and to the depth or depths necessary for effective protection against undue drainage by other wells on adjacent lands or leases.
  10. Lessee shall have the right at any time during or within a reasonable time after the expiration of this lease to remove all property and fixtures placed by Lessee on said land, including the right to draw and remove all casing. When required by Lessor, Lessee will bury all pipe lines below ordinary plow depth, and no well shall be drilled within three hundred feet (300') of any residence or barn now on said land without Lessor's consent.
  11. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to their heirs, successors and assigns, but no change or division in ownership of the land or royalties, however accomplished, shall operate to enlarge the obligation or diminish the rights of Lessee. No sale or assignment by Lessor shall be binding on Lessee until Lessee shall be furnished a copy of the recorded instrument evidencing same. Lessee shall give Lessor prompt written notice of any assignment of this lease as to all or any portion of the lands covered hereby, and such notice shall be accompanied by a true copy of the instrument effecting such assignment within sixty (60) days of its recording in the county records. All rights, covenants, and obligations of each party hereunder shall extend to and be binding upon the heirs, successors and assigns of such party.
- Lessee shall have the right at any time to surrender this lease, in whole or in part, to Lessor by delivering or mailing a release hereof to Lessor, or by placing a release thereof of record in the county in which said land is located; thereupon Lessee shall be relieved from all subsequent obligations, express or implied, of this agreement as to the acreage so surrendered.
12. Notwithstanding anything contained herein to the contrary, upon the expiration of the primary term hereof, this lease shall terminate as to all lands covered hereby, except as to each well capable of producing oil and/or gas in paying quantities together with the proration unit allocated thereto (the size of said proration unit being hereby defined as the number of acres prescribed or permitted by proper governmental authority having jurisdiction, as the minimum number of acres required for the production of the maximum allowable from a well in the particular field and from the particular sand or formation involved) as of the date of such termination from the surface down to the base of the producing formation in each such well capable of producing oil and/or gas in paying quantities. Thereafter Lessee shall promptly execute and deliver to Lessor a recordable release of this lease as to all lands and depths as to which the lease has so terminated. Upon such partial termination each such producing proration unit shall become a separate lease subject to all of the terms and provisions hereof, so that production and/or operations from one such producing proration unit shall not constitute production and/or operations on any other such proration unit. It is agreed that as long as this lease remains in force as to any part of said land, any portion of the land as to which this lease expires may, nevertheless, be used by Lessee, its successors and assigns, to the extent reasonably necessary for ingress and egress for gathering, transporting, treating, processing, and storing oil and/or gas produced from the land as to which this lease remains in force.
  13. Should Lessee be prevented from complying with any express or implied covenant of this lease, from conducting drilling or reworking operations thereon or from producing oil or gas therefrom by reason of scarcity of or inability to obtain or to use equipment or material, or by operation of force majeure, any federal or state law or any order, rule or regulation of governmental authority, then while so prevented, Lessee's obligations hereunder shall be suspended, and Lessee shall not be liable in damages for failure to comply therewith; and this lease shall be extended while and so long as Lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas from the lease premises; provided that Lessee shall never be relieved from the payment of any payment due under the terms of Paragraph 3. above during the primary term hereof so as to keep this lease in force in the absence of actual drilling operations, and after the expiration of the primary term hereof, should this lease be kept in force under the provisions of this paragraph. Lessee shall nevertheless make payments to Lessor in a sum equal to twice the amount provided for any shut-in royalty payments during the primary term hereof, and at the same time and in the same manner as so provided for the payment of shut-in royalty payments in Paragraph 3. hereof.

- Estelle Masonic Lodge No. 582**

**Attest:**

By: Orville O'Neill  
Orville O'Neill  
Grand Master

This instrument was acknowledged before me on this 21<sup>st</sup> day of July, 2010, by Tommy Dean Guest, Grand Secretary of The Grand Lodge of Texas A. F. & A. M., a Texas nonprofit corporation, on behalf of said corporation.



Notary Public, State of Texas